

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

PERIODIC REPORTING
(PROPOSAL EIGHT)

Docket No. RM2017-12

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO QUESTION 1 OF COMMISSION INFORMATION REQUEST NO. 1**
(December 21, 2017)

The United States Postal Service hereby provides its response to Question 1 of Commission Information Request No. 1, issued December 14, 2017. The questions are stated verbatim and followed by the response. The Postal Service has encountered complications in responding to Question 2, and is therefore separately filing a motion for an extension of time to respond to Question 2.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorney:

Eric P. Koetting

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 277-6333
eric.p.koetting@usps.gov
December 21, 2017

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO COMMISSION INFORMATION REQUEST NO. 1

1. Please refer to the estimated price changes for Commercial Enhanced Carrier Route, Nonprofit Enhanced Carrier Route, Commercial Regular Mail, and Nonprofit Regular Mail necessary to implement Proposal Eight. Petition at 5. Please recalculate the price changes to reflect the impact of Proposal Eight using USPS Marketing Mail workpapers from Docket No. R2018-1, Library Reference PRC-LR-R2018-1/2, November 9, 2017. Please provide all supporting workpapers.

RESPONSE:

The updated Docket No. R2018-1 revenue-neutral price changes that would be necessary to move the nonprofit-to-commercial average revenue per piece ratio to 60 percent at the subclass level are +0.74 percent for Nonprofit ECR, -0.03 percent for Commercial ECR, +4.20 percent for Nonprofit Regular, and -0.61 percent for Commercial Regular. The first two reflect an increase in the nonprofit-to-commercial average revenue per piece ratio from 56.0 percent in Docket No. R2017-1 to 59.5 percent in Docket No. R2018-1; the last two reflect a decrease in the nonprofit-to-commercial average revenue per piece ratio from 57.8 percent in Docket No. R2017-1 to 57.2 percent in Docket No. R2018-1. The necessary ECR price changes, substantially less than as measured in Docket No. R2017-1, reflect an unexpected shift in the ECR mail mix between Docket No. R2017-1 and Docket No. R2018-1. In the first docket, Saturation rate categories accounted for 45.3 percent of all Nonprofit ECR volume. In the second docket, that share had fallen 9.9 percentage points to 35.4 percent. Higher-priced High Density and Basic Carrier Route (+8.6 percentage points) were the main beneficiaries. In contrast, the Saturation share of Commercial ECR volume moved little from Docket No. R2017-1 to Docket No. R2018-1, falling only 0.7

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
COMMISSION INFORMATION REQUEST NO. 1**

percentage points from 37.3 percent to 36.6 percent. Together, these Nonprofit and Commercial effects were able to help push up ECR's nonprofit-to-commercial average revenue per piece ratio by 3.5 percentage points to 59.5 percent (and substantially reduce the Nonprofit ECR price increase that would be necessary to move up further to meet the full 60 percent target).

The supporting workpapers are in the attached Excel file. Prop.8.CIR.1.Q.1.xlsx. This file is a modified version of the CAPCALC file utilized by the Commission in Docket No. R2018-1, with a new tab called "Prop 8 Adjustments" (appearing after the "Price Change Summary" tab). The calculations supporting the above percentages can be found in that new tab.